

Message Text

UNCLASSIFIED

PAGE 01 LONDON 07580 01 OF 02 191812Z

50

ACTION EB-07

INFO OCT-01 EUR-12 ISO-00 AGR-10 COME-00 TRSE-00 OMB-01

IO-10 OIC-02 CIAE-00 INR-07 NSAE-00 /050 W

----- 094545

R 191755Z MAY 75

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 1252

UNCLAS SECTION 01 OF 02 LONDON 07580

FOR EB/FDP, BOERNER

E.O. 11652: N/A

TAGS: EAGR, UK

SUBJ: WHEAT: COMMENTS ON IWC DRAFT BUDGET

REF: LONDON A-403, APRIL 30, 1975

1. A COPY OF THE REPORT OF THE BUDGET SUB-COMMITTEE OF THE INTERNATIONAL WHEAT COUNCIL (IWC) AND THE DRAFT BUDGET FOR 1975/76, AS REVISED FOLLOWING THE MEETING OF THE SUB-COMMITTEE ON MAY 9 WAS RECENTLY POUCHED TO EB/FDP. WHILE THE DRAFT BUDGET IS FULLY ANNOTATED AND THE DOCUMENTS ARE SELF-EXPLANATORY, THE PURPOSE OF THIS CABLE IS TO HIGHLIGHT MAJOR POINTS. IN GENERAL, IT WAS THE FINDING OF THE SUB-COMMITTEE THAT DESPITE THE HUGE INCREASE IN EXPENDITURE PROPOSED FROM ONE YEAR TO THE NEXT (ON THE ORDER OF 70 PERCENT), THE DRAFT SUBMISSION WAS A RESPONSIBLE EFFORT ALL THINGS CONSIDERED. THE SUB-COMMITTEE'S REPORT AND THE DRAFT WILL BE SUBMITTED TO THE IWC EXECUTIVE COMMITTEE ON MAY 28, 1975, WHICH IN TURN WILL SUBMIT THE BUDGET PROPOSAL, WITH ANY REVISIONS AND RECOMMENDATIONS, TO THE 73RD AND 74TH SESSIONS OF THE COUNCIL FOR ADOPTION, JUNE 30 AND JULY 1, 1975, RESPECTIVELY.

2. THE SUB-COMMITTEE CONSIDERED BOTH THE PROJECTED 10 PERCENT BUDGET OVERRUN FOR THE CURRENT YEAR ENDING JUNE

UNCLASSIFIED

PAGE 02 LONDON 07580 01 OF 02 191812Z

30 AND THE PROPOSED BUDGET FOR NEXT YEAR. THE FACTORS

INFLUENCING THIS YEAR'S OVERRUN WERE INFLATION AND UNANTICIPATED EXPENSES FOR SPECIAL COUNCIL MEETINGS AND FOR THE PREPARATORY GROUP WHICH IS CONSIDERING, INTER ALIA, THE US GRAINS RESERVES PROPOSAL. THE 1975/76 INCREASE WILL DERIVE FROM INFLATION AND THE CONVERGENCE OF A NUMBER OF EXPENDITURES, MOSTLY BUT NOT ENTIRELY, OF A "ONE-TIME-ONLY" NATURE.

3. INFLATION. PROJECTIONS FOR BOTH THE CURRENT AND THE NEW YEAR WERE MADE ON THE BASIS OF AN ANNUAL INFLATION RATE OF 25 PERCENT. (THIS COULD PROVE CONSERVATIVE SINCE FIGURES SUBSEQUENTLY PUBLISHED SHOW THE DOMESTIC INFLATION RATE RUNNING AT 30 PERCENT.) THE IMPACT HAS BEEN PARTICULARLY NOTICEABLE ON SALARIES. IN THE CURRENT YEAR, A NEW WAGE SCALE PROPOSED BY THE UN FOR LONDON WAS ADOPTED, EFFECTIVE JANUARY 1, FOR PROFESSIONAL STAFF. IN ADDITION, BY JUNE 30, IT IS PROJECTED THAT SEVEN POST ADJUSTMENTS TO PREVENT SALARY EROSION WILL HAVE BEEN PUT INTO EFFECT BY THE IWC AND OTHER, LONDON-BASED ORGANIZATIONS WHICH FOLLOW UN WAGE DIRECTIVES. MOREOVER, A NEW WAGE SCALE FOR GENERAL SERVICES PERSONNEL RETROACTIVE TO JANUARY 1, WILL ALSO HAVE BEEN PUT INTO EFFECT (GS STAFF DO NOT RECEIVE POST ADJUSTMENTS; LONDON-BASED ORGANIZATIONS GENERALLY FOLLOW A COMPLICATED PROCEDURE FOR SUCH PERSONNEL BASED ON US EMBASSY WAGE SURVEYS AS ADJUSTED BY IMCO). THREE ADDITIONAL POST ADJUSTMENTS ARE PROJECTED FOR 1975/76 AS WELL AS AN ADDITIONAL GS WAGE SCALE ADJUSTMENT. THE IMPORTANT POINT HERE IS THAT THESE ARE ALL EXOGENOUS VARIABLES--THE SECRETARIAT HAS NO INFLUENCE OVER INFLATION AND BY POLICY DECISION IS LINKED TO OTHER LONDON-BASED ORGANIZATIONS ON WAGE MATTERS. INFLATION AFFECTS ALL OTHER ENTRIES TO SOME DEGREE AS WELL.

4. ONE-TIME-ONLY COSTS. THE "ONE-TIME-ONLY" EXPENDITURE ITEMS FOR 1975/76 INCLUDE A LINE-ITEM FOR HOLDING A NEGOTIATING CONFERENCE IN GENEVA DURING THE BUDGET YEAR (TABLE V, C.9.) AND ONE FOR OFFICE RENOVATION EXPENSES (V.B.8). CONCERNING THE NEGOTIATING CONFERENCE, THE SUB-COMMITTEE AGREED THAT THIS ITEM SHOULD REMAIN, UNCLASSIFIED

UNCLASSIFIED

PAGE 03 LONDON 07580 01 OF 02 191812Z

UNLESS THE COUNCIL MADE A POLICY DECISION NOT TO HOLD SUCH A CONFERENCE (IF V.C.9. IS APPROVED, BUT NO CONFERENCE IS HELD, THE SAVINGS WOULD GO TO THE RESERVE FUND--SEE BELOW). OFFICE RENOVATIONS ARE BADLY NEEDED AND THE TIMING SEEMS APPROPRIATE--A NEW LEASE WILL BE NEGOTIATED THIS YEAR AND THE INTERNATIONAL TIN COUNCIL WILL VACATE THE THIRD FLOOR, LEAVING ITS SPACE TO BE REALLOCATED BETWEEN THE IWC AND THE INTERNATIONAL SUGAR

ORGANIZATION (ISO). NEVERTHELESS, THIS APPEARS TO BE

UNCLASSIFIED

NNN

UNCLASSIFIED

PAGE 01 LONDON 07580 02 OF 02 191815Z

50

ACTION EB-07

INFO OCT-01 EUR-12 ISO-00 AGR-10 COME-00 TRSE-00 OMB-01

IO-10 OIC-02 CIAE-00 INR-07 NSAE-00 /050 W
----- 094570

R 191755Z MAY 75
FM AMEMBASSY LONDON
TO SECSTATE WASHDC 1253

UNCLAS SECTION 02 OF 02 LONDON 07580

FOR EB/FDP

ONE ITEM WHERE A PARTIAL DEFERRAL OF EXPENDITURE MIGHT BE POSSIBLE. THE USDEL SUGGESTED THAT THE SECRETARIAT ATTEMPT TO REFINE ITS ESTIMATES WITH A VIEW TOWARD DEFINING ESSENTIAL AND POSTPONABLE WORK, AND WITH SOME NOTION OF WHETHER SOME ADDITIONAL COST WOULD BE ENTAILED IN POSTPONEMENT.

5. RENT INCREASE. A VERY SHARP INCREASE IS REFLECTED IN V.A.2, ACCOMMODATION EXPENSES. THE 1955 LEASE, HELD BY THE ISO BUT SUBLET ON A 50-50 BASIS TO THE IWC, EXPIRES IN DECEMBER. NO ONE KNOWS WHAT THE NEW LEASE TERMS WILL BE BUT SINCE NO RENT INCREASE HAS BEEN MADE SINCE 1955, THE INCREASE IS EXPECTED TO BE LARGE. THE SECRETARIAT USED A FIGURE OF POUND 9 PER SQUARE FOOT IN ITS CALCULATIONS, WHICH WOULD RESULT IN ABOUT A 200 PERCENT INCREASE IN THE RENT BILL FOR SIX MONTHS ONLY. (THE USREP SUBSEQUENTLY FOUND OUT THAT THE ISO, WHICH HAS NOT YET BEGUN NEGOTIATIONS IS HOPEFUL OF STRIKING A SLIGHTLY MORE FAVORABLE DEAL--POUND 8 PER SQUARE FOOT.) AT THE SUGGESTION OF THE EC DELEGATE, THE SUB-COMMITTEE DECIDED THAT A POUND 10 PER SQUARE FOOT ESTIMATE WOULD BE PRUDENT SINCE, GIVEN THE STATE OF RESERVES, A LOW ESTIMATE WOULD CREATE SERIOUS PROBLEMS.

HERE AGAIN, CUTS MIGHT BE MADE, BUT UNTIL LEASE
NEGOTIATIONS GET UNDER WAY, IT IS VERY DIFFICULT TO KNOW
JUST WHAT IS AND WHAT IS NOT A "REASONABLE"
UNCLASSIFIED

UNCLASSIFIED

PAGE 02 LONDON 07580 02 OF 02 191815Z

FIGURE.

6. STATE OF RESERVES AND ARREARAGES--/ABLES III & IV.
THE SUB-COMMITTEE CONCURRED IN THE RECOMMENDATION THAT
THE 1974/75 DEFICIT SHOULD BE MET OUT OF RESERVES RATHER
THAN CARRIED FORWARD INTO THE NEW YEAR. AT THE SAME
TIME, AS NOTED IN PARA. 2 OF THE SUB-COMMITTEE REPORT,
THE SUB-COMMITTEE WAS SERIOUSLY CONCERNED WITH THE DAN-
GEROUSLY LOW LEVEL OF CASH RESERVES, AND PARTICULARLY,
ABOUT SOME MAJOR DELINQUENCIES WHICH ADVERSELY AFFECT
THE CASH POSITION. AS OF MAY 9, 11 MEMBERS--INCLUDING
NOTABLY, ARGENTINA, BRAZIL AND EGYPT--WERE IN ARREARS
FOR THE CURRENT BUDGET YEAR. MOREOVER, THE SECRETARIAT
HAS NOTICED A TENDENCY TOWARD SLOWER PAYMENT (EVEN WHEN
PAYMENT WAS MADE BEFORE THE DEADLINE). A MINOR RESULT
OF THIS HAS BEEN SOME DIMINUTION OF INTEREST
EARNINGS ON SHORT-TERM CASH HOLDINGS.

7. CONCLUSION. OBVIOUSLY, PROJECTIONS FOR 1975/76
ARE VERY DIFFICULT TO MAKE WITH ANY CERTAINTY, NOT
ONLY BECAUSE OF INFLATION BUT BECAUSE OF OTHER COST
VARIABLES THAT CANNOT YET BE DEFINED WITH ACCURACY. THE
SUB-COMMITTEE COULD FIND NO FAT IN THE PROPOSED BUDGET,
BUT THAT DOES NOT MEAN THERE WAS NONE--IT WAS A LITTLE
LIKE TRYING TO COME TO TERMS WITH A PILLOW. NEVERTHELESS
WITH THE STATE OF THE RESERVES VERY MUCH IN MIND, THE
SUB-COMMITTEE WAS QUITE CAUTIOUS, AND AS NOTED,
EVEN SUGGESTED ONE INCREASE, SINCE IN ANY CASE ANY
OVERAGE WOULD GO INTO BUILDING UP THE RESERVES.

8. THE USREP AGREES THAT THE RESERVES SHOULD BE BUILT
UP AND IN FACT HE SUGGESTED THE ALTERNATIVE FORMULATION
OF ASSESSMENTS SET FORTH IN TABLE VI. THE NOTION THAT
THE RESERVES SHOULD SOMEHOW BE BUILT THROUGH DEFAULT,
HOWEVER, IS NOT VERY SATISFACTORY. ON THE OTHER HAND, IF
THE ALTERNATIVE FOR A TOTAL ASSESSMENT OF POUNDS
320,000 IS ACCEPTED, THIS WOULD PRESUPPOSE A LINE-ITEM
ON THE EXPENDITURE SIDE FOR BUILDING UP RESERVES,
THE SIZE OF WHICH IN TURN WOULD BE AFFECTED BY COST
ESTIMATE REFINEMENTS POSSIBLE BETWEEN NOW AND THE
MEETING OF THE COUNCIL.

UNCLASSIFIED

UNCLASSIFIED

PAGE 03 LONDON 07580 02 OF 02 191815Z

RICHARDSON

UNCLASSIFIED

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: DOCUMENTS, WHEAT, COMMITTEE MEETINGS, MEETING REPORTS, BUDGET ESTIMATES
Control Number: n/a
Copy: SINGLE
Draft Date: 19 MAY 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975LONDON07580
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750175-1014
From: LONDON
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750539/aaaabjkd.tel
Line Count: 227
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: 75 LONDON A-403, 75 APRIL 30, 75 1975
Review Action: RELEASED, APPROVED
Review Authority: CunninFX
Review Comment: n/a
Review Content Flags:
Review Date: 23 JUL 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <23 JUL 2003 by SilvaL0>; APPROVED <05 FEB 2004 by CunninFX>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: WHEAT: COMMENTS ON IWC DRAFT BUDGET
TAGS: EAGR, EPAP, UK, IWC-2
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006